

ENTERTAINMENT

California is the entertainment capital of the world. When combined, the numerous segments that comprise California's entertainment media form a \$19.5-billion³⁵ industry that employs more than 220,000 people.³⁶ This sector of our economy also provides an important link to California's tourism and technology industries.

Other states and countries are actively recruiting film production activity away from California by offering tax incentives and promising lower production costs.³⁷ Over the last several years, state policymakers have regularly considered different ways to ensure the continued competitiveness of California's film industry. In 2004, production days increased in Los Angeles County to almost 53,000,³⁸ representing an increase of nearly 20 percent from 2003.³⁹

A second major issue facing the entertainment industry in California is piracy, or the unauthorized use or distribution of intellectual property. The Motion Picture Association of America (MPAA) estimates that piracy results in a nationwide loss of more than \$3 billion annually,⁴⁰ not including internet piracy, which is difficult to trace.⁴¹ With U.S. films being shown in more than 150 countries, piracy of American films has become an international problem.⁴² In 2000, more than 20 million illegal optical discs and 4.5 million video cassettes were seized worldwide.⁴³ Only 60 percent of films ever recoup the original investment, and the film industry's high-risk investments rely heavily on estimated box office receipts and home video sales.⁴⁴

As the global leader in motion picture production and as a leading producer of high-technology entertainment products, California bears the financial brunt of lost film production and piracy. The Commission is supportive of efforts by Congress to address this issue, such as the *Artists Rights and Theft Prevention Act* (S. 1932) and the *Protecting Intellectual Rights Against Theft and Expropriation Act* (S. 2237), which represent important first steps toward finding a solution that will ensure the well-being of this important industry.

In 2004, the Commission held a hearing on piracy and supported piracy-deterrent legislation.

- The hearing on piracy featured John Malcolm, Director of Anti-Piracy for the Motion Picture Association of America, and included reports and policy recommendations.
- The Commission supported state legislation for piracy deterrence, SB 1506 (Murray), which was signed into law on September 21, 2004.
- The Chair of the Commission addressed the issue of piracy with Madam Wu Yi, Vice Premier of the People's Republic of China, during a trip to that country to promote economic trade opportunities and to open the California-China Business Forums.



Photo Credit: UCLA School of Theater, Film and Television

"Piracy negatively affects every rung on the ladder, including the studios that invest in the film, the distributors, the retailers and foreign and local film makers."

Motion Picture Association of America

³⁵ U.S. Bureau of Economic Analysis, May 2003, "Gross State Product Data Table 2001," September 2004.

³⁶ California Employment Development Department, "Quarterly Covered Employment and Wages Major Industry Level," August 2004.

³⁷ Jones, Martha, Ph.D., "Motion Picture Production in California," California Research Bureau, California State Library, 2002, p. 2.

³⁸ Entertainment Industry Development Corporation.

³⁹ Ibid.

⁴⁰ Motion Picture Association of America, "Anti-Piracy," July 2004, <http://www.mpa.org/anti-piracy/index.htm>, September 2004.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.